BEFORE THE BOARD OF OIL, GAS AND MINING
DEPARTMENT OF NATURAL RESOURCES
STATE OF UTAH

IN THE MATTER OF THE REQUEST FOR AGENCY ACTION OF EP ENERGY E&P COMPANY, L.P. FOR AN ORDER POOLING ALL INTEREST, INCLUDING THE COMPULSORY POOLING OF THE INTERESTS OF ARGO ENERGY PARTNERS, LTD., DUSTY SANDERSON, HUNT OIL COMPANY, KKREP, LLC, AND J.P. FURLONG CO., IN THE DRILLING UNIT ESTABLISHED FOR THE PRODUCTION OF OIL, GAS AND ASSOCIATED HYDROCARBONS FROM THE LOWER GREEN RIVER-WASATCH FORMATIONS COMPRISED OF ALL OF SECTION 2, TOWNSHIP 3 SOUTH, RANGE 5 WEST, U.S.M., DUCHESNE COUNTY, UTAH	**NOTICE OF OBJECTION** Docket No. 2015-013 Cause No. 139-130

COMES NOW, J.P. Furlong Co., ("Respondent") acting by and through their attorney, Anthony T. Hunter, pursuant to Utah Admin. Code Rule R641-109-100, and respectfully states:

1. Respondent received a copy of the proposed Findings of Fact, Conclusions of Law and Order from counsel for EP Energy E&P Company, L.P. ("Petitioner") via email on June 10, 2015. On June 12, 2015, Respondent replied to Petitioner's counsel (and included counsel for the Board and the Division in its reply) with a marked-up copy of the proposal and a suggestion for a stipulated motion for additional time to file objections in order for Petitioner and Respondent to narrow the issues in actual dispute.
2. To date, Respondent has yet to receive any reply from any party regarding the stipulated motion for extension.
3. In order to comply with the deadline imposed by Board regulations, Respondent hereby files this Notice of Objection to Petitioner's proposed final order. However, Respondent believes that many of the changes requested can be stipulated to by the parties.

4. Respondent therefore moves the Board to adopt its Proposed Findings of Fact, Conclusions of Law and Order, attached hereto and hereby incorporated by reference.
5. As an alternative, Respondent moves the Board to grant a five-day extension for the parties to narrow the issues and stipulate to the changes that are non-objectionable.

WHEREFORE, Respondent respectfully requests that the Board:

1. ADOPT the Proposed Findings of Fact, Conclusions of Law and Order submitted by Respondent; or in the alternative
2. EXTEND the deadline for Respondent to raise objections by an additional five days in order to narrow the issues in dispute; and
3. ORDER other such relief as it finds just and reasonable under the circumstances.

By: _____

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This Cause came on for hearing before the Utah Board of Oil, Gas and Mining (the "Board") on Wednesday, April 22, 2015, at 1:20 p.m., in the Moab City Council Chambers in Moab, Utah. The following Board members were present and participated at the hearing: Chairman Ruland J. Gill, Jr., Susan S. Davis, Gordon L. Moon, Carl F. Kendell, Chris D. Hansen, and Richard K. Borden. Board member Michael R. Brown was unable to attend. The Board was represented by Michael S. Johnson, Esq., Assistant Attorney General.

Testifying on behalf of Petitioner EP Energy E&P Company, L.P. ("EPE") were John D. DeWitt, Jr. - Staff Landman, Michael J. Walcher - Land Advisor, and Steven A.

Biancardi - Reservoir Engineering Advisor. Mr. Walcher and Mr. Biancardi were recognized by the Board as experts in petroleum land management and petroleum engineering, respectively, for purposes of this Cause. Frederick M. MacDonald, Esq., of and for MacDonald & Miller Mineral Legal Services, PLLC, appeared as attorney for EPE.

Testifying on behalf of Respondent J.P. Furlong Co. ("Furlong") were Timothy P. Furlong - President, Ramona Garcia Furlong, Esq. - Counsel and Primary Negotiator; and Kruise B. Kemp. Anthony T. Hunter, Esq. appeared as attorney for Furlong.

The Division of Oil, Gas and Mining (the "Division") did not file a staff memorandum in this Cause but participated in the hearing. Steven F. Alder, Esq., Assistant Attorney General, appeared as attorney for the Division.

No other party filed a response to EPE's Request for Agency Action filed on March 10, 2015 (the "Request") and no other party appeared or participated at the hearing. As a consequence of their respective failures to timely file a response and appear at the hearing after proper notice to them, EPE made an oral motion at the commencement of the hearing to declare Argo Energy Partners Ltd. ("Argo"), Dusty Sanderson, Hunt Oil Company ("Hunt") and KKREP, LLC ("KKREP") in default pursuant to Utah Admin. Code Rules R641-104-150 and R641-108-400, which the Board granted.

The Board, having considered the testimony and exhibits admitted into evidence at the hearing and all pleadings on file in this Cause, the Board's Minute Entry entered on May 11, 2015 and Order Denying Motion to Reconsider entered on June 8, 2105, being fully advised, hereby makes the following findings of fact, conclusions of law and order in this Cause.

FINDINGS OF FACT

1. EPE is a Delaware limited partnership with its principal place of business in Houston, Texas. It is duly qualified to conduct business in the State of Utah, and is fully and appropriately bonded with all relevant Federal, Indian and State of Utah agencies.

2. Under its Order entered on September 20, 1972 in Cause No. 139-8 (the "139-8 Order"), as modified by the Orders entered on April 17, 1985 in Cause No. 139-42 (the "139-42 Order"), entered on May 2, 2008 in Cause No. 139-83 (the "139-83 Order"), entered on December 21, 2008 in Cause No. 139-84 (the "139-84 Order"), and entered November 6, 2014 in Cause No. 139-124 (the "139-124 Order") (the 139-8, 139-42, 139-83, 139-84 and 139-124 Orders collectively hereinafter the "Applicable Orders"), the Board established the entirety of Section 2, Township 3 South, Range 5 West, U.S.M., as a drilling unit, for the production of oil, gas and associated hydrocarbons from the Lower Green River-Wasatch formations, defined as:

the interval from the top of the Lower-Green River formation (TGR_3 marker) to the base of the Green River-Wasatch formations (top of the Cretaceous), which base is defined as the stratigraphic equivalent of the Dual Induction Log depths of 16,720 feet in the Shell-Ute 1-18B5 well located in the S½NE¼ of Section 18, Township 2 South, Range 5 West, U.S.M., and 16,970 feet in the Shell-Brotherson 1-11B4 well located in the S½NE¼ of Section 11, Township 2 South, Range 4 West, U.S.M.

(the "Drilling Unit"), and authorized up to eight producing wells for such unit, whether all vertical, all horizontal, or a combination of both, to be located no closer than 660 feet from a unit boundary and 990 feet from another well producing in the same formation with certain caveats.

3. Subject Section 2 is an irregular governmental section, comprised of a combination of lots and quarter-quarter sections, and totaling 639.04 acres. Oil and gas ownership within Section 2 is divided into the following 13 tracts:

Tract	Lands	Acreage	% of Drilling Unit
1	E½ of Lot 1	19.97	3.125%
2	W½ of Lot 1; Lots 2 and 3; and N½S½NE¼ less Tract 4 below	135.99	21.280358%
3	Lot 4; SW¼NW¼; W½SE¼; and SE¼SW¼	199.58	31.231222%
4	East 14 rods of the N½S½NE¼	3.5	0.547697%

5	A 5.81-acre metes & bounds tract in the SE¼NW¼	5.81	0.909176%
6	SW¼SW¼SE¼; and all of the "hill and bench lands" in the SE¼NW¼ and NE¼SW¼	74.04	11.586129%
7A	Beg. at the SE corner of the SW¼SE¼; thence West 40 rods; thence North 40 rods, thence West 40 rods; thence North 80 rods; thence Southeast to POB	20	3.129695%
7B	A 4.84-acre metes & bounds tract in the NW¼SE¼ and N½SW¼SE¼	4.84	0.757386%
7C	A 0.62-acre metes & bounds tract in the S½SW¼SE¼	0.62	0.097021%
8	S½S½NE¼; and all of the "valley lands" in the SE¼NW¼ less Tract 5 above, NE¼SW¼, NW¼SE¼ and northern 4 rods of the SW¼SE¼	85.23	13.337193%
9	A 9.46-acre metes & bounds tract in the SW¼SE¼	9.46	1.480345%
10	A 6.31-acre metes & bounds tract in the E½SE¼	6.31	0.987419%

11	E½SE¼ less Tract 10 above	73.69	11.53159%
	TOTALS =	**639.04**	**100%**

The oil and gas in all of the Tracts except Tract 3 are owned in fee (privately). The oil and gas in Tract 3 is Tribally owned.

4. In Tracts 1 and 9-11, 50% of the oil and gas is under lease to EPE and the remaining 50% is owned by QEP Energy Company ("QEP") and unleased, but subject to a joint operating agreement ("JOA"). The oil and gas in Tracts 2, 4, 5, 7B, 7C and 8 are all under lease to EPE. The oil and gas in Tract 3 is subject to a Tribal Exploration and Development Agreement in favor of Bill Barrett Corporation ("BBC") and Crescent Point Energy U.S. Corp. ("Crescent Point") pursuant to which a lease shall be issued. In Tract 6, 89.480552% is under lease to EPE, 2.083333% is under a lease from Hunt equally to KKREP and Furlong, and 0.976562% is under lease to T.C. Craighead & Company ("Craighead"). Furthermore, EPE (1.352783%), Broughton Petroleum, Inc. ("Broughton") (0.976562%), Slover Minerals, L.P. ("Slover") (0.976563%), QEP (2.083333%), LINN Operating, Inc. ("LINN") (0.546875%) and Croff Oil Company, Inc. ("Croff") (0.546875%) all own unleased interests in Tract 6, but all of these interests are subject to JOA's. Broughton's unleased interest is subject to a perpetual non-participating 25% royalty in favor of the heirs or devisees of Mark A. Chapman. Argo and Mr. Sanderson each own an unleased 0.488281% interest in Tract 6, neither of which is

subject to a JOA. Finally, in Tract 7A, 90% of the oil and gas is under lease to EPE. Furthermore, EPE (8.657813%) and LINN (1.342107%) own unleased interests in Tract 7A, but both interests are subject to JOA's. Each fee lease, with the exception of the Hunt/KKREP/Furlong Lease, grants to the respective lessee the unilateral right to pool the lease and the lessor's interest thereunder.

5. EPE, BBC, Crescent Point, Croff, Broughton, Craighead, Slover, QEP, LINN and KKREP all have executed various JOA's covering the Drilling Unit, pursuant to which EPE is named as operator and pursuant to which the parties voluntarily pooled their working interests by contract. However, KKREP's interest cannot, under the terms of its Lease with Hunt, be so voluntarily pooled without Hunt's consent or absent the pooling of Furlong as its co-lessee. As to those unleased parties who executed a JOA, the respective JOA's provide for the payment of the following royalties attributable to their interests to them:

Parties	Royalty
EPE and QEP	1/5
Slover, LINN, and Croff	1/6

The BBC JOA provides for a 100%/300%, while all of the other JOA's provide for a 150%/300% non-consent penalty. All other terms of the JOA's are materially consistent. As a consequence, 99.645477% of the working interest in the Drilling Unit is voluntarily

pooled by contract. These parties made participation elections in the drilling of the Neihart 2-2C5 Well upon the Drilling Unit, the consequences of which are governed by the terms of the respective JOA.

6. The interests of Argo and Mr. Sanderson remain unleased and have not otherwise been pooled. Furlong has not executed a JOA, and neither Furlong nor KKREP has provided written authorization from Hunt to allow pooling of Hunt's oil and gas interest or the Lease covering that interest. As a consequence, Hunt, KKREP and Furlong's interests have not been pooled either.

7. Commencing in September 2014, EPE conducted good faith negotiations for the leasing or participation of Argo and Mr. Sanderson's interests. Both parties rejected leasing, instead indicating they would rather participate as working interest owners. Argo signed an authority for expenditure ("AFE"), but refused to execute the JOA provided by EPE and upon which such AFE was conditioned. Mr. Sanderson refused to execute an AFE or a JOA. Both parties also failed to provide any counter-proposals for JOA terms and conditions, even after express written request by EPE. Consequently, mutually acceptable participation terms could not be reached. Neither party has tendered their proportionate share of the AFE'd costs for the Neihart 2-2C5 Well.

8. Commencing in September 2012, EPE offered in good faith to lease Hunt's interest but no response was received. EPE renewed good faith efforts to lease Hunt's interest in September 2014. On November 10, 2014, EPE provided Hunt with a written conditional offer to lease or participate as an unleased working interest owner as evidenced by Rebuttal Exhibit "6" admitted into evidence.

9. As evidenced by Exhibit "K" admitted into evidence, Hunt instead chose to lease its interest to KKREP and Furlong on November 26, 2014, which Lease was executed by Furlong on December 17, 2014 and by KKREP on December 26, 2014, with a stated effective date of August 27, 2014.

10. As evidenced by Rebuttal Exhibit "7" admitted into evidence, Furlong and KKREP advised EPE of the grant of the Hunt Lease to them by e-mail dated December 6, 2014, and revised and executed the November 10, 2014 Conditioned Election to Lease or Participate made to Hunt, reflecting their election to participate as leased working interest owners and executing the AFE's but crossing out the condition that the JOA prepared by EPE be signed and instead indicating they would refuse to sign that JOA.

11. As evidenced by Rebuttal Exhibit "8" and Exhibit "M" admitted into evidence, EPE revised and resent the Conditioned Election to Participate to Furlong and KKREP on December 16, 2014. As evidenced by Exhibit "L" admitted into evidence, KKREP signed both the JOA and AFE. As evidenced by Exhibit "N" admitted into

evidence, Furlong signed the AFE but crossed out the condition that the JOA prepared by EPE be signed. The AFE contained the following paragraph:

> This authorization for expenditure (AFE) constitutes a contract between the non-operator signing the AFE and the operator whereby the non-operator hereby promises and agrees to pay operator, within thirty (30) days after billing, its proportionate share of all reasonable expenditures on the described operations until such time as an operating agreement is executed.

12. Thereafter, EPE and Furlong negotiated on terms of a JOA that would be mutually acceptable but no agreement was reached. Furlong assumed based upon past experience that an informal agreement concerning ongoing operation of the well was sufficient. As a consequence, no agreement for the voluntary pooling of Furlong, KKREP and Hunt's interest could be reached.

13. Furlong was not aware that the well had been drilled and completed until after the filing of the Request for Agency Action ("RAA") in this Cause. When the Response to the RAA was filed, Furlong asked the Board to pool its interest and adopt terms governing future operations, including terms of EPE's proposed JOA, its requested changes, and other provisions suggested at the hearing.

14. Furlong tendered its AFE'd share of costs on April 2, 2015.

15. Under the particular circumstances of this case, the Board finds Furlong consented to the drilling and operation of the Neihart 2-2C5 Well and to have agreed to bear its proportionate share of costs.

16. In accordance with the Applicable Orders and its Application for Permit to Drill approved by the Division of Oil, Gas and Mining, EPE spud the Neihart 2-2C5 Well at a location 799 feet FSL and 2,406 feet FEL in the SW¼SE¼ of subject Section 2 on August 7, 2014, and completed it as a producing oil well with first production achieved on October 10, 2014. The Neihart 2-2C5 Well has produced and continues to produce from intervals within the Subject Formations, and was deemed "economically feasible" to drill as that term is utilized in the Applicable Orders.

17. The Neihart 2-2C5 Well is the second producing well drilled on the Drilling Unit. However, the first well was plugged and abandoned over 20 years prior to the spud of the Neihart 2-2C5 Well. Corrected Exhibit "Y" admitted into evidence reflects a range of potential production outcomes, with a low of 25.8 MBO, a high of 481.2 MBO and a median of 150 MBO. The wide variability, primarily due to fracturing, reflects the uncertainty of drilling a successful economic well at the time the Neihart 2-2C5 Well was spud. In addition, the complex nature of the Lower Green River-Wasatch formation present inherent risks. However, the dataset used to analyze the risk of drilling the Neihart 2-2C5 Well contained no well that did not result in production in paying quantities (a "dry hole").

18. Given the findings outlined in Findings of Fact Nos. 5, 7 and 17 above, and based on the other evidence presented, the risk assumed by EPE and the other

participating working interest owners in the drilling of the Neihart 2-2C5 Well justifies a 300% risk compensation award (non-consent penalty).

19. The model-form-based JOA proposed by EPE is similar in all material respects to other JOAs previously adopted by this Board in prior compulsory pooling matters. Although this form of operating agreement was previously deemed just and reasonable in these prior matters, the Board analyzed the JOA proposed by EPE anew for purposes of making its determination in the present matter. While legitimate disagreement can exist about the provisions at issue, and while the parties' differing proposed terms might be reasonable under certain circumstances, on balance, the Board finds that under the facts of this case, the terms of the EPE proposal are just and reasonable and adopts them for purposes of this matter. The terms and conditions of the JOA admitted into evidence at the hearing as EPE's Exhibit "V," and attached hereto and by this reference incorporated herein, are appropriate to govern the relationship between EPE, as Operator of the Drilling Unit, and Argo, Mr. Sanderson and Furlong, as Non-Operators, as to the Neihart 2-2C5 Well and the Drilling Unit to the extent not inconsistent with this Order.

20. As reflected on Corrected Exhibit "W" admitted into evidence, the average weighted fee royalty interest for the Drilling Unit, which accounts for the Chapman perpetual non-participating royalty and the royalties provided in the

Hunt/Furlong/KKREP Lease and the JOA's as outlined in Findings of Fact No. 5 above, is 17.353250%.

21. An interest rate charge of prime rate in effect at JP Morgan Chase Bank plus 1% is justified, fair and reasonable.

22. Estimated plugging and abandonment costs of $75,000, based on 100% working interest ownership, are justified, fair and reasonable.

23. As of the hearing date, the actual cost of drilling the Neihart 2-2C5 Well was $5,208,563, based on 100% working interest, as detailed on Exhibit "X" admitted into evidence. Said costs are deemed justified, fair and reasonable.

24. A copy of the Request was mailed, postage pre-paid, certified with return receipt requested, and properly addressed, to Argo, Mr. Sanderson, Hunt, KKREP and Furlong, and copies of the return receipts, evidencing receipt by all of said parties, were duly filed with the Board. In addition, a copy of the Request was mailed, postage pre-paid, to all other production interest owners within the Drilling Unit and to the Bureau of Indian Affairs, Uintah and Ouray Agency (the "BIA") and the Vernal Field Office of the Bureau of Land Management as regulatory agencies having jurisdiction over the oil and gas ownership in portions of Section 2. Said mailings were sent to the parties' last address disclosed by the relevant Duchesne County and Agency realty records.

25. Notice of the filing of the Request and of the hearing thereon was duly published in the Salt Lake Tribune and Deseret Morning News on April 5, 2015, and in the Uintah Basin Standard on April 7, 2015.

26. The Board initially took the matter under advisement. The vote of the Board members present in the hearing and participating in this Cause was unanimous (6-0) in favor of granting the Request except as modified by the Minute Entry, and was 5-1, with Chairman Gill casting the dissenting vote, on the Reconsideration Order.

CONCLUSIONS OF LAW

1. Due and regular notice of the time, place and purpose of the hearing was properly given to all parties whose legally protected interests are affected by the Request in the form and manner as required by law and the rules and regulations of the Board and Division.

2. The Board has jurisdiction over all matters covered by the Request and all interested parties therein, and has the power and authority to render the order herein set forth pursuant to Utah Code Ann. §40-6-6.5.

3. EPE has sustained its burden of proof, demonstrated good cause and satisfied all legal requirements for the granting of the Request except as modified by the Minute Entry.

4. Pursuant to the holding in *Cowling v. Board of Oil, Gas and Mining*,

830 P.2d 220, 226 (Utah 1991), the Applicable Orders established, upon their respective entry, the parties' correlative rights to production from any well located on the Drilling Unit.

5. Due to their failure to timely respond to the Request and to appear at the hearing after proper notice, Argo, Mr. Sanderson, Hunt and KKREP are declared in default pursuant to Utah Admin. Code Rules R641-104-150 and R641-108-400.

6. EPE exercised good faith in attempting to solicit the leasing of Argo and Mr. Sanderson's interests or their participation as unleased working interest owners.

7. Argo and Mr. Sanderson are deemed "non-consenting owners," as that term is defined in Utah Code Ann. §40-6-2(11), as relating to the Neihart 2-2C5 Well, and are properly deemed to have refused to agree to bear their respective proportionate share of the costs of the drilling and operation of the said Well as provided in Utah Admin. Code Rule R649-2-9(1).

8. EPE, as Operator on behalf of itself, BBC, Crescent Point, Croff, Broughton, Craighead, Slover, QEP, LINN, KKREP and Furlong, is deemed a "consenting owner," as that term is defined in Utah Code Ann. §40-6-2(4), as relating to the Neihart 2-2C5 Well.

9. The compulsory pooling of Argo's, Mr. Sanderson's, Hunt's, KKREP's and Furlong's interests in the Drilling Unit retroactive to October 10, 2014, being the date

of first production for the Neihart 2-2C5 Well, under the terms and conditions set forth in this Order is just and reasonable, and insures all parties will receive their fair and equitable share of production from the said Well.

10. Given the Tribal Lease covering Tract 3 of the Drilling Unit, a compulsory pooling order from the Board is required before a conforming communitization agreement will be approved by the BIA, whether expressly pursuant to Federal guidelines or as a matter of Agency practice.

ORDER

Based upon the Request, testimony and evidence submitted, and the findings of fact and conclusions of law stated above, the Board hereby orders:

1. The Request in this Cause is granted except as modified by the Minute Entry.

2. The interests of all parties subject to the jurisdiction of the Board, specifically including Argo, Mr. Sanderson, Hunt, KKREP and Furlong, in the Drilling Unit are pooled retroactively to October 10, 2014 (being the date of first production of the Neihart 2-2C5 Well).

3. Operations on any portion of the Drilling Unit shall be deemed for all purposes to be the conduct of operations upon each separately owned tract in the Drilling Unit by the several owners.

4. Production allocated or applicable to a separately owned tract included in the Drilling Unit shall, when produced, be deemed for all purposes to have been produced from that tract by a well drilled on it.

5. Each owner shall pay his/its allocated share of the costs incurred in drilling and operation of the Neihart 2-2C5 Well, including, but not limited to, the costs of drilling, completing, equipping, producing, gathering, transporting, processing, marketing, and storage facilities, reasonable charges for administration and supervision of operations, and other costs customarily incurred in the industry, all to be governed in accordance with the terms and conditions of the JOA's executed with EPE or, only in the case of Argo, Mr. Sanderson and Furlong, the JOA attached hereto to the extent not otherwise inconsistent with this Order.

6. Argo and Mr. Sanderson are non-consenting owners and EPE, as Operator of the Drilling Unit on behalf of itself, BBC, Crescent Point, Croff, Broughton, Craighead, Slover, QEP, LINN, KKREP and Furlong, is a consenting owner as these terms are utilized in Utah Code Ann. §40-6-6.5, with respect to the Neihart 2-2C5 Well.

7. The interests of the Non-Consenting Owners shall be deemed relinquished to the Consenting Owner during the period of payout for the Neihart 2-2C5 Well as provided in Utah Code Ann. §40-6-6.5(8). The relinquishment does not constitute a defeasance of title to the interest in the mineral estate, but rather the relinquishment of the revenue stream attributable to the Non-Consenting Owners' allocated share during the period of payout after payment of the royalty provided herein.

8. Each Non-Consenting Owner shall be entitled to receive, subject to the royalty specified herein, the share of the production of the Neihart 2-2C5 Well applicable to such owner's interest in the respective Drilling Unit after the Consenting Owner has recovered the following from such Non-Consenting Owner's share of production: (1) 100% of the Non-Consenting Owner's share of the cost of surface equipment beyond the wellhead connections, including stock tanks, separators, treaters, pumping equipment, and piping; (2) 100% of the Non-Consenting Owner's share of the estimated costs of plugging and abandoning the Neihart 2-2C5 Well, which estimated costs are and shall be for each well $75,000 (based on a 100% working interest); (3) 100% of the Non-Consenting Owner's share of the cost of operation of the Neihart 2-2C5 Well, commencing with first production and continuing until the Consenting Owner has recovered all costs; and (4) a risk compensation award of 300% of the Non-Consenting Owner's share of the costs of staking the location, wellsite preparation, rights-of-way,

rigging up, drilling, reworking, recompleting, deepening or plugging back, testing, and completing, and the cost of equipment in the Neihart 2-2C5 Well, to and including the wellhead connections, as such costs are delineated in Utah Code Ann. §40-6-6.5(4)(d). The Non-Consenting Owner's share of costs is that interest that would have been chargeable to the Non-Consenting Owner had such owner initially agreed to pay such owner's share of the costs of the Neihart 2-2C5 Well, from the commencement of operations. In addition, a reasonable interest rate of prime in effect at JP Morgan Chase plus 1% shall be imposed per Utah Code Ann. §40-6-6.5(4)(d)(iii).

9. Each Non-Consenting Owner shall receive a royalty equal to the average weighted fee landowner's royalty of 17.353250%. When calculating the division of interest for each Non-Consenting Owner, the average weighted fee landowner's royalty shall be proportionately reduced in the ratio that the Non-Consenting Owner's interest bears to (1) the total interest in the tract and (2) then further reduced in the ratio that the tract acres bear to the total acreage in the Drilling Unit. The proportionately reduced royalty shall be paid to each Non-Consenting Owner until such time as such Non-Consenting Owner's share of costs, the 300% risk compensation award, and applicable interest charges have been fully recouped, as provided in Utah Code Ann. §40-6-6.5 and in this Order.

10. The Consenting Owner shall furnish each Non-Consenting Owner with

monthly statements specifying:

a. costs incurred;
b. the quantity of oil or gas produced; and
c. the amount of oil and gas proceeds realized from the sale of production during the preceding month,

as relating to the Neihart 2-2C5 Well.

11. Upon the payout of the Neihart 2-2C5 Well, the Non-Consenting Owners' relinquished interests in said Well shall automatically revert to them, and the Non-Consenting Owners shall from that time forward own the same interest in the Well and the production from it, and shall be liable for the further costs of operation, as if such owners had participated in the initial drilling and completion operations.

12. Payout occurs when the Consenting Owner has recouped from the Non-Consenting Owners the costs and expenses of drilling and completing the Neihart 2-2C5 Well, together with the risk compensation award (non-consent penalty) and interest, as provided for in Order No. 8 above.

13. In any circumstance when any Non-Consenting Owner has relinquished such owner's share of production to the Consenting Owner or at any time fails to take such owner's share of production in-kind, when such owner is entitled to do so, such Non-Consenting Owner is entitled to an accounting of the oil and gas proceeds applicable to such owner's relinquished share of production; and payment of the oil and gas proceeds applicable to that share of production not taken in-kind, net of costs.

14. Pursuant to Utah Admin. Code Rules R641 and Utah Code Ann. §63G-4-204 to 208, the Board has considered and decided this matter as a formal adjudication.

15. This Order is based exclusively on evidence of record in the adjudicative proceeding or on facts officially noted, and constitutes the signed written order stating the Board's decision and the reasons for the decision, all as required by the Administrative Procedures Act, Utah Code Ann. §63G-4-208 and Utah Administrative Code Rule R641-109.

16. Notice re: Right to Seek Judicial Review by the Utah Supreme Court or to Request Board Reconsideration: As required by Utah Code Ann. §63G-4-208(e) - (g), the Board hereby notifies all parties in interest that they have the right to seek judicial review of this final Board Order in this formal adjudication by filing a timely appeal with the Utah Supreme Court within 30 days after the date that this Order issued. Utah Code Ann. §§63G-4-401(3)(a) and 403. As an alternative to seeking immediate judicial review, and not as a prerequisite to seeking judicial review, the Board also hereby notifies parties that they may elect to request that the Board reconsider this Order, which constitutes a final agency action of the Board. Utah Code Ann. §63G-4-302, entitled, "Agency Review - Reconsideration," states:

> (1)(a) Within 20 days after the date that an order is issued for which review by the agency or by a superior agency under Section 63G-4-301 is unavailable, and if the order would otherwise constitute final agency action,

> any party may file a written request for reconsideration with the agency, stating the specific grounds upon which relief is requested.
>
> (b) Unless otherwise provided by statute, the filing of the request is not a prerequisite for seeking judicial review of the order.
>
> (2) The request for reconsideration shall be filed with the agency and one copy shall be sent by mail to each party by the person making the request.
>
> (3)(a) The agency head, or a person designated for that purpose, shall issue a written order granting the request or denying the request.
>
> (b) If the agency head or the person designated for that purpose does not issue an order within 20 days after the filing of the request, the request for reconsideration shall be considered to be denied.

Id. The Board also hereby notifies the parties that Utah Admin. Code Rule R641-110-100, which is part of a group of Board rules entitled, "Rehearing and Modification of Existing Orders," states:

> Any person affected by a final order or decision of the Board may file a petition for rehearing. Unless otherwise provided, a petition for rehearing must be filed no later than the 10th day of the month following the date of signing of the final order or decision for which the rehearing is sought. A copy of such petition will be served on each other party to the proceeding no later than the 15th day of the month.

Id. *See* Utah Admin. Code Rule R641-110-200 for the required contents of a petition for Rehearing. If there is any conflict between the deadline in Utah Code Ann. §63G-4-302 and the deadline in Utah Admin. Code Rule R641-110-100 for moving to rehear this matter, the Board hereby rules that the later of the two deadlines shall be available to any party moving to rehear this matter. If the Board later denies a timely petition for

rehearing, the party may still seek judicial review of the Order by perfecting a timely appeal with the Utah Supreme Court within 30 days thereafter.

17. The Board retains continuing jurisdiction over all the parties and over the subject matter of this cause, except to the extent said jurisdiction may be divested by the filing of a timely appeal to seek judicial review of this order by the Utah Supreme Court.

18. For all purposes, the Chairman's signature on a faxed copy of this Order shall be deemed the equivalent of a signed original.

DATED this _____ day of June, 2015.

STATE OF UTAH
BOARD OF OIL, GAS AND MINING

By: _____
Ruland J. Gill, Jr., Chairman

APPROVED AS TO FORM:

_____
Anthony T. Hunter, Esq.
Attorney for J.P. Furlong Co.

_____
Steven F. Alder, Esq.
Attorney for the Division

1100.16

CERTIFICATE OF SERVICE

I hereby certify that on this ____ day of June, 2015, I caused a true and correct copy of the foregoing Proposed Findings of Fact, Conclusions of Law and Order, with attached joint operating agreement, to be mailed, postage-pre-paid, and sent electronically to the following:

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Frederick M. MacDonald, Esq.